



April 18th, 2013

Liza Ningiuk
Mayor, Hamlet of Grise Fiord

Jaypetee Akeegok
Chair, Iviq HTO

Larry Audlaluk
Chair, CLARC

Hamlet of Grise Fiord
P.O. Box 77
Grise Fiord
Nunavut Territory
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Dear Ms. Ningiuk, Mr. Akeegok, and Mr. Audlaluk,

We have now had an opportunity to carefully consider your letter of February 14th, 2013, addressed to Mr. Jeff Mercer at the Mining Recorder Office.

We feel that a number of important matters considered at your recent meeting require clarification and further discussion as follows.

1. Axel Heiberg

Your letter refers to the importance of avoiding exploration activity on Axel Heiberg to protect the petrified forest. We agree entirely with this. We have taken over the licenses there in order to keep them out of reach of others, as we have promised your community both in meetings and in writing. We have done this purely as an effective protective measure at a cost of approximately \$60,000 to Canada Coal. If you wish us to discontinue this voluntary, protective defense we will cancel our current licenses in that area and discontinue our proposed scientific research grant designed to further the knowledge base on this important area.

2. Exploration

At this early exploratory phase of our work on Ellesmere Island and the Fosheim Peninsula, no fixed point can be selected as the single focus mining area to consider further development and a high number of license areas must be initially considered. If future development is determined to be worthwhile the area selected would be comparatively, very modest. Moreover, even in our early exploration we have taken great care to have a Grise Fiord hunter on board the helicopter to warn us away from animal life below and to pay strict attention to high flight height requirements etc. If there are signs of wildlife or petrified vegetation discovered, we simply move to another site which also requires exploration. The mistakes and consequences of the exploration in the 1970's cannot, and will not, be repeated. We can, and will, be both careful and patient.

3. The Expectation of reliable, lower cost Light and Power for all Nunavut's Communities and Mining Industry.

Currently, all of Nunavut's communities are powered by diesel generation. It is very costly to the individual consumers and to government, estimated to be more than \$150 million yearly. Moreover, it is at times unreliable, we are told. One of the major cost drawbacks in Mining is also the extremely high price of imported diesel.

Yet, an extremely small, single area of Ellesmere Island, we are convinced, could produce more than enough low sulphur, low ash, clean coal which can be successfully converted into diesel fuel or a power source to make the current expensive problems and shortages a thing of the past. It would also provide taxation benefits to Nunavut that are very substantial. Canada Coal is convinced that the benefits to Nunavut's families and industry will be shown to be enormous.

4. Consultation, Summer 2013

Canada Coal is hoping to meet with Grise Fiord leaders and citizens this summer to continue to consult and to try to see if a careful exploration plan can be established that is acceptable to the community. We strongly believe that a wildlife and habitat protection plan can be achieved with the knowledge, cooperation, care and attention of the company and the community. While this consultation may well delay the development of an affordable Nunavut owned power and light system and important industrial growth, the advantage will be that it should enable the development of a comprehensive environmental protection/mining exploration plan that considers future benefits to all residents of Nunavut.

We very much look forward to our further discussion and consultation. We believe much can be accomplished.

Yours truly,

CANADA COAL INC.



R. Bruce Duncan
Executive Chairman

Cc. Okalik Eegeesiak, President, QIA
Cathy Towtongie, President, NTI
Elizabeth Copeland, Chair, NIRB
Jeff Mercer, Land Administration
Ron Elliot, MLA, Quttiktuk